

## PROGRAM TO SUPPORT THE NATIONAL ENVIRONMENTAL SYSTEM

(PR-0116)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Paraguay	
<b>Executing agency:</b>	Environmental Secretariat	
<b>Amount and source:</b>	IDB (OC):	US\$8 million
	Local:	US\$2 million
	Total:	US\$10 million
<b>Financial terms and conditions:</b>	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1.00%
	Credit fee:	0.75%
	Currency:	Basket of Currencies
<b>Objectives:</b>	<p>The overall objective of the program is to support implementation of a modern institutional framework for managing Paraguay's environment. Its specific objectives are to: (i) coordinate the mechanisms used to formulate environmental policy and enact laws and regulations governing the environment; (ii) improve the ability of the country's institutions to implement and enforce the laws, policies and regulations governing the environment; and (iii) develop mechanisms for sustainable financing of projects and other activities to support the environmental objectives of the country.</p> <p>In order to fulfill its objectives, the program proposes to achieve the following goals by the end of the execution period: (i) 100% of the resolutions passed by the CONAM are being used in strategic planning, control and management of the environment; (ii) 30% of the country's departments are engaged in environmental management programs; (iii) environmental impact assessments are being carried out for 80% of sector projects, and the waiting period for analysis and granting of project licenses has been cut by 50%; (iv) updated data on EIAs, environmental permits, public hearings, the registry of industrial polluters, endangered species list, deforestation indices and quality of natural resources is available to the public over the Internet</p>	

(via the SEAM web site); and (v) a sustainable mechanism for funding environmental investments is in operation, with resources contributed from various sources and the financing of 10 pilot projects.

**Description:**

The program will have three components: (i) establishment of the National Environmental System; (ii) strengthening of environmental agencies; and (iii) the Environmental Investment Fund.

**1. Establishment of the National Environmental System (US\$1,669,000)**

This component will support integration of public agencies and private sector organizations into the new National Environmental System (SISNAM), which will be responsible for implementing environmental policy in a manner that ensures joint cooperation and harmony among its members, and an organized approach to solving the country's environmental problems. The component calls for execution of the following four subcomponents: (a) establishment of the National Environmental Council; (b) creation of the legal framework for the environmental sector; (c) implementation of the national environmental information system; and (d) environmental education.

**2. Strengthening of environmental agencies (US\$4,534,000)**

This component will provide institutional strengthening for the environmental organizations that make up the SISNAM, providing them with the technical capacity needed to carry out their environmental control functions, and to work efficiently and effectively for conservation and preservation of biodiversity. The component is divided into three subcomponents: (a) creation and strengthening of the Environmental Secretariat; (b) strengthening of the environmental organization in each sector; and (c) strengthening of departmental and municipal governments.

**3. Environmental Investment Fund (US\$1,477,000)**

This component will include the design of a fund for financing of high priority investments in environmental control and management and preservation of biodiversity, which will accept contributions from both public and private sector sources.

**Role of the project in the Bank's country and sector strategy:**

The proposed operation is consistent with the strategy for modernizing the State since it will support restructuring of the institutions in the environmental sector. The program will make for more efficient and effective application of existing environmental legislation and contribute to development of new environmental laws and relevant regulations, establishment of environmental controls and monitoring mechanisms, formulation of a national environmental policy, and diversification of mechanisms for environmental investment. This operation will help strengthen governability in Paraguay by bringing together the functions of environmental policy formulation and enforcement in a single institution at a high level of government, eliminating duplication and overlapping of functions among agencies, ensuring that the new institution targets problems at the national level, and strengthening local environmental control agencies.

**Environmental and social review:**

The program is expected to produce the following positive environmental and social impact: (i) reduction in direct adverse impact produced by specific projects through better application of EIAs; (ii) reduction in the indirect impact of development through improved environmental planning and the establishment of the CONAM as a forum for discussion and resolution of conflicts between the national environmental strategy and other policies, plans and economic programs of the government; and (iii) contribution to conservation of Paraguay's natural resource capital as one of the main pillars of sustainable economic development.

**Benefits:**

The program will produce social benefits in terms of improved governance. Civil society's input will be increased at the macro level through its participation in the discussion and formulation of environmental policies and strategies in CONAM. The program will produce social benefits in the form of governability, environmental management and natural resource management. Civil society will provide more input at the macro level through its participation in the discussion and formulation of environmental policies and strategies in CONAM. Specifically, the program will expand the capacity of institutions to deal with indigenous problems related to natural resources and the negative impact of development programs, and to find realistic solutions to these problems. The participation of civil society at the micro (project) level will improve thanks to greater access to information on projects in preparation and in execution. The ability of civil society to participate effectively will increase as a result of greater awareness of the need for sustainable use of natural resources and recognition of the SISNAM as an instrument for dealing with environmental needs. Participation by the program's beneficiaries in efforts to solve local environmental problems will increase as a result of the pilot projects to be financed, as well as

through the establishment of an Environmental Fund to finance additional environmental projects over longer periods.

**Risks:**

The main risk involved in implementing this project is the potential weakness of institutions making up the SEAM, which has only recently been created. Such weakness may take the form of:

Lack of eligibility criteria for participation of the private sector and civil society in CONAM. **Mitigation:** presentation of a resolution to establish such conditions will be a condition precedent to the first disbursement of the loan.

Lack of continuity in program startup. **Mitigation:** a Project Preparation Facility (PPF) has been arranged to ensure that the PEU activities will continue until the executing agency is able to meet the conditions precedent to the first disbursement and the resources of the loan become available.

Deficiencies in the recruitment of human resources and SEAM's unsustainability. **Mitigation:** a plan of action has been drawn up and lists the steps to be taken for selection of personnel by means of merit-based competition, including the provision of a training/retraining program to help existing personnel maximize their chances of becoming part of the new structure.

**Special  
contractual  
clauses:**

**Conditions precedent to the first disbursement:**

- (i) evidence that the eligibility conditions have been established for the participation of representatives of the various institutions in CONAM (paragraph 4.17);
- (ii) evidence that the PEU has been transferred from the General Secretariat of the Office of the President (SGP) to the SEAM and staffed with the necessary personnel, and that it has established an adequate financial control system (paragraph 3.3); and
- (iii) submission of an annual work plan (AWP) for the first year, which must include an evaluation of progress under the Plan of Action (paragraph 3.41).

**Other contractual conditions:**

- (i) prior to disbursement of resources to finance pilot projects under the Environmental Investment Fund, evidence that the Operating Regulations of the fund have entered into force (paragraph 3.33);

- (ii) submission of the AWP (paragraph 3.41);
- (iii) prior to publication of the bidding documents for the procurement of consulting services for the second year of program execution, evidence that at least 40% of the personnel who will occupy technical and administrative positions with the SEAM in accordance with the Plan of Action, have been hired and/or assigned through merit-based competitive examinations (paragraph 3.10).
- (iv) submission of semiannual reports on the incorporation of personnel into the SEAM (paragraph 3.42)
- (v) submission of the mid-term report (paragraph 3.43)

**Poverty-targeting and social sector classification:**

This program does not qualify as a social equity enhancing operation, as described in the key objectives for the Bank's activities set forth in the Report on the Eighth General Increase in Resources (document AB-1704).

**Exceptions to Bank policy:**

None.

**Procurement:**

Current Bank policy will be followed for the procurement of goods and consulting services to be financed with program resources. Whenever resources from the Bank loan are used, international publicity will be required for the procurement of goods valued at US\$250,000 or more, consulting services valued in excess of US\$200,000, and construction contracts equal to or greater than US\$2 million. The Bank will conduct an ex ante evaluation of all procurement procedures followed in this program.